

The Isle of Man loses £140 million and still can't...

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The Isle of Man's Chief Minister, Tony Brown, has [made a statement](#) this morning to the Tynwald (Manx Parliament) on the revised VAT agreement with the UK. The detailed [statement is here](#).

The cost to the Isle of Man of revising the 'common purse agreement' is higher than expected. He said:

[F]or the financial year 2010-2011 the Island faces a total reduction of some £90million in relation to our revenue income from the Revenue Sharing Arrangement, from that previously estimated, with that figure increasing to £140million in subsequent years.

Current estimated income per annum is [£572 million](#). Almost 24% of government income is being lost as a result. I stress though: a subsidy remains: I have estimated that subsidy as [£230 million a year](#). VAT was estimated to be £339 million of total income this year: income tax just £127 million and company tax just £21 million to put this loss in proportion.

And, as the Chief Minister acknowledged, the EU is also looking unfavourably on the Isle of Man zero-ten system. This though is unsurprising — it had already failed to meet EU standards and as such this is not big news, but only adds to the fiscal uncertainty in the Island, and the potential loss it could face.

In the light of that the Chief Minister's comments were amazing. It was all about cuts, redundancy, the end of support for voluntary programmes and more. Tax is mentioned just twice in the whole statement; and then with regard to the EU Code of Conduct, about which he said:

The U.K.'s views on this area have been helpful to us in confirming our own understanding of the situation. This will allow us to develop and position the Island and its future tax regime, so the Island can continue to remain competitive and at the same time be accepted by the international community as responsible and co-operative.

It is obvious that the people of the Isle of Man are going to pay for the mess their politicians have got them into. And have no doubt, that mess is of their own making and they were warned of this. In March 2007 [Isle of Man Today](#) reported:

Negotiations between the Island government and the UK began in 2006 and a new deal was reached in the last few weeks. Mr Bell said VAT will still be pooled with the UK but the deal now introduced new criteria with payments in future being related to GNP.

'This changes the focus of our thinking because in future the higher the growth in the economy the higher our receipts will be in this new arrangement. But the new system brings more stability to our system and we ought to be able to plan further ahead.'

Mr Bell also made reference to an article in The Observer newspaper (Sunday March 18) which alleged that UK taxpayers were subsidising tax cuts in the Isle of Man to the tune of £270million a year. The article referred to the VAT sharing scheme. Speaking to other business breakfast delegates before his speech Mr Bell had pointed out that the article included several inaccuracies, the most glaring being that the Island's population was 26,000.

In his speech Mr Bell said the article had been initiated by the Tax Justice Network which he described as a 'motley crew doing their very best to stir up resentment against not just the Isle of Man but off-shore jurisdictions in general.'

*'They (the Tax Justice Network] will use every opportunity to undermine the Island and try to damage our economy,' he said.
'We do need to keep an eye on these sort of bodies as well.'*

The Observer did of course quote earlier versions of my work, revised downwards since because of VAT rate changes and the impact of the revised deal. It seems such a shame Mr Bell could not have acknowledged the truth at the time that the UK really was massively subsidising the Isle of Man, as I said. He might have better prepared his island for the change that will now be forced upon them. Instead he hurled abuse in my direction.

So is the resulting change my fault, and the fault of my Tax Justice Network colleagues? Maybe, in some small part it is in that we drew attention to this arrangement. Certainly no one else, anywhere, drew attention to this issue. But I don't apologise for that. The Isle of Man does not need a standard rate of income tax of 10%, a top rate of 18% and a cap on total tax paid. It does not need a zero per cent corporation tax. It could charge capital gains tax. It could charge inheritance tax. It could charge its banks to tax at more than 10%. All these are choices: bad choices. And yet none of them are mentioned in the Minster's statement today. So please don't blame me for what is coming the Isle of Man's way: blame your own ministers who ignored the warnings, who denied the truth, who would not disclose the nature of the agreement with the UK or of the calculations made, and blame yourselves for thinking you could successfully free

ride off the back of the UK tax payer. I did not try to damage your economy. I drew attention to weaknesses in your own economy and the cost that imposed on the UK.

I don't apologise for one moment for helping end that abuse.